

Message Text

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PAGE 01 TOKYO 10251 101119Z

44

ACTION NEA-12

INFO OCT-01 EA-11 ADP-00 EB-11 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

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TAGS: ENRG, IR, JA

SUBJ: JAPAN-IRAN OIL DEAL

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SUMMARY: JAPANESE INDUSTRY SOURCES INDICATE TALKS HAVE BEGUN BETWEEN IRAN AND JAPANESE COMPANIES WITH OBJECT CONSTRUCTION OF NEW REFINERY AS JOINT VENTURE FOR EXPORT PRODUCTS TO JAPAN. IRAN WILL SOON SELECT CONSULTING FIRM TO CONDUCT FEASIBILITY STUDY. END SUMMARY.

1. DURING WEEK OF AUGUST 6, JAPANESE INDUSTRY SOURCES (MARUZEN OIL, C. ITOH, MITSUI, AND TEIJIN) PROVIDED FOLLOWING INFORMATION CONCERNING REPORTED JAPAN-IRAN OIL DEAL.

2. RECENT TALKS BETWEEN IRAN AND CONSORTIUM OF INTERNATIONAL OIL COMPANIES RESULTED IN AGREEMENT EFFORTS WOULD BE MADE RAISE IRANIAN CRUDE OIL OUTPUT TO 8 MILLION BBL/DAY BY 1978. OF THIS AMOUNT, ABOUT 80 PERCENT WOULD BE SOLD TO INTERNATIONAL OIL COMPANIES.

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PAGE 02 TOKYO 10251 101119Z

REMAINING 1.5 MILLION BBL/DAY WOULD BE DELIVERED EQUALLY

TO JAPAN, US, AND WEST GERMANY. DUE TO OIL INDUSTRY NATIONALIZATION LAW EFFECTIVE JULY 31, 1973, EXPORTS WILL BE IN FORM OF REFINED OIL PRODUCTS. SOURCES UNABLE POSITIVELY CONFIRM CONTENTS NEW NATIONALIZATION LAW AS NO COPY AVAILABLE TO THEM.

3. TO HANDLE EXPORTS TO JAPAN, US, AND WEST GERMANY, IRAN HAS BEGUN TALKS WITH COMPANIES OF THOSE THREE COUNTRIES. IN CASE OF JAPAN, SEVEN GROUPS RPT GROUPS OF JAPANESE COMPANIES HELD DISCUSSIONS WITH IRAN WITH GOAL OF COMPLETING NEW REFINERY AS JOINT VENTURE BY END 1977. PERCENTAGE OF JAPANESE SIDE'S PARTICIPATION NOT YET DECIDED. AMONG TOPICS COVERED IN TALKS HAVE BEEN SELECTION OF A CONSULTING FIRM TO CONDUCT FEASIBILITY STUDY AND MODALITIES OF MARKETING OF REFINED PRODUCTS IN JAPAN.

4. FROM LIST OF FOUR CONSULTING FIRMS CONSISTING OF BECHTEL (USA; SNAM, A SUBSIDIARY OF ENI (ITALY); AND CHIYODA CHEMICAL ENGINEERING AND CONSTRUCTION COMPANY AND JAPAN GASOLINE COMPANY (JAPAN, IRAN WILL SHORTLY SELECT ONE.

5. FEASIBILITY STUDY WILL CONCERN TECHNICAL AND ECONOMIC ASPECTS OF PROJECT, E.G., SCALE OF EQUIPMENT, TYPE OF PROCESSING, PRODUCT MI, LOCATION, AND MARKETING OF REFINED PRODUCTS. GOAL IS TO COMPLETE STUDY BY END OF YEAR. FOLLOWING COMPLETION OF STUDY, PARTIES WILL BEGIN REFINERY CONSTRUCTION, BUT IT UNCLEAR AT THIS TIME WHICH JAPANESE GROUPS OR GROUPS WILL ACTUALLY PARTICIPATE IN CONSTRUCTION. IT ALSO STILL UNCLEAR WHICH GROUP OR GROUPS WILL PARTICIPATE IN MANAGEMENT OF REFINERY WHEN IT COMPLETE.

6. REPRESENTATIVE COMPANIES OF SEVEN GROUPS ARE IDEMITSU KOSAN AND MARUZEN OIL, BOTH OIL REFINERS; MITSUI AND CO, MITSUBISHI CORP, SUMITOMO SHoji KAISHA, AND C. ITOH, ALL MAJOR TRADING HOUSES; AND TEIJIN LIMITED A SYNTHETIC TEXTILE MAKER.

7. IMPORTATION REFINED OIL PRODUCTS INTO JAPAN WILL LIMITED OFFICIAL USE

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REQUIRE REVISION OIL INDUSTRY LAW OF JAPAN, WHICH ENCOURAGES IMPORTATION CRUDE OIL AND REFINING IN JAPAN AND DISCOURAGES IMPORT REFINED PRODUCTS THROUGH HIGH TARIFFS. SHOESMITH

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